

COUNTY EXECUTIVE'S 2006 BUDGET

DEPT: MILWAUKEE PUBLIC MUSEUM

UNIT NO. 9700
FUND: General - 0001

OPERATING AUTHORITY & PURPOSE

Pursuant to Wisconsin Statute 59.56(2), Milwaukee County may acquire, own, operate and maintain a public museum in the County and appropriate money for such purposes. As a museum of human and natural history, it provides a dynamic and stimulating environment for learning. The Museum

interprets the world's cultural and natural heritage through collections, research, education and exhibits. It holds its collections as a public trust and is dedicated to their preservation for the enrichment of present and future generations.

BUDGET SUMMARY			
	2004 <u>Actual</u>	2005 <u>Budget</u>	2006 <u>Budget</u>
Property Tax Levy Contribution to Milwaukee Public Museum	\$ 3,880,750	\$ 3,380,750	\$ 3,502,376

MISSION

The Milwaukee Public Museum (MPM) is an educational and research institution which focuses on the natural sciences, anthropology and history.

MPM preserves and cares for its collections in the public trust. Through its research and collections, the Museum seeks knowledge and understanding of global change and diversity from geological, biological, cultural and historical perspectives. MPM interprets these themes to diverse audiences through its renowned exhibits, programs and publications.

MPM's mission is best accomplished through the coordinated use of its public exhibits, research capabilities, collections and educational programs.

OPERATING HISTORY

Milwaukee County acquired the MPM from the City of Milwaukee in 1976. During its more than 100 years as a public institution, the Museum has grown to be one of the leading natural history museums in the nation, providing a valuable educational opportunity to visitors.

Based on the recommendations of a Blue Ribbon Task Force created in 1990 to study alternative funding of the Museum, County Board Resolution (File No. 91-775), adopted November 12, 1991, created a not-for-profit Museum Corporation with a Board of Directors providing management of the facility, effective March 31, 1992. A fixed base level funding amount of \$4.3 million was established for

MPM during the initial five-year period of the Agreement.

The Lease and Management Agreement was re-negotiated in 1997 to continue the County's annual \$4.3 million payment to the MPM for five years, unless the County or MPM request that base support levels be modified after March 31, 1999.

As a result of the re-negotiation, the Museum Endowment Funds were transferred to MPM in August of 1997.

In 1999, the County extended the current term of the MPM Lease Agreement for an additional 33 months through December 31, 2004 (File No. 99-28(a)(a)) to facilitate the Museum Corporation's ability to sell long-term revenue bonds and to facilitate a capital campaign to raise charitable donations in support of the Museum Corporation's Butterfly Garden capital improvement project. This agreement remains in effect with a five-year renewal in perpetuity for 35 years, or until a new agreement is negotiated.

For 2006, \$3,502,376 is budgeted to support the MPM.

CAPITAL BUDGET HISTORY

In 1994, Milwaukee County issued \$8.9 million in bonds for the addition of a large screen theater (IMAX) to the Museum Complex. In 1996, MPM and Discovery World Museum jointly opened the theater and shared operating expenses and revenues. In 1999, the County and MPM refunded the remaining

COUNTY EXECUTIVE'S 2006 BUDGET

DEPT: MILWAUKEE PUBLIC MUSEUM

UNIT NO. 9700

FUND: General - 0001

outstanding debt for the IMAX Theater of approximately \$8.0 million. In March of 2000, Milwaukee County, acting as a conduit for MPM, issued \$4.2 million in revenue bonds for MPM to fund the Pulicher Butterfly Wing and purchase Discovery World's interest in, and assume full operation of, the IMAX Theater. The purchase was completed in April 2000.

BUDGET HIGHLIGHTS

- Milwaukee County's contribution to MPM increased \$121,626, from \$3,380,750 to \$3,502,376. This amount is based on the formula for funding as stipulated in the governing lease and management agreement. It states that annual funding is a five percent reduction from the previous year's funding. This was practiced through 2004 when a new agreement for 2005 was anticipated with a revised funding package. However, since a new agreement was not signed in 2005 and the former agreement is still in effect, funding guidelines for 2006 revert back to the formula. Therefore, the 2006 contribution is a five percent reduction to 95 percent of the 2004 County funding.
- The County will continue to make its annual contribution in quarterly payments to MPM. However, payments will be made only if MPM meets monthly expenditure and revenue targets as approved by the Milwaukee County Department of Administrative Services (DAS) or County Board staff. This includes but is not limited to expenses on: concessions, restaurants, salaries, wages, benefits and other costs; and, income from: retail, restaurant, facility rental, admission, special exhibits and fundraising goals. This performance requirement is to ensure the County that MPM is achieving financial stability and will reach its budget target for the end of fiscal year 2006.
- In 2005, the County guaranteed the repayment of a \$6 million loan in order for MPM to be eligible for working capital resources from JPMorgan Chase and Marshall & Ilsley Banks, the "Lenders." MPM required a loan to remain solvent because of severe cash flow problems resulting from overly aggressive expansion, financial mismanagement, and lax Museum board oversight. Milwaukee County entered into an agreement with the Lenders, approved by the County Board on June 30, 2005 guaranteeing the amount of the loan plus interest. The guarantee amount is reduced dollar-for-dollar as MPM repays the debt. The guarantee is called if MPM cannot make scheduled debt payments, and thus the County will pay the debt as it becomes due. The Lenders and the County also required the following actions from MPM to ensure additional fiscal responsibility: an independent five-person financial oversight committee appointed by the County Executive and County Board Chairman to review and approve loan advance requests by MPM management as well as monitor the implementation of the break-even business plan; and the establishment of an unrestricted reserve account to deposit cash flow surplus to be used as a first resource to pay off the loan. The term of this loan is for five years until August 31, 2010 at a mix of flat and variable rates.
- DAS will continue the 2005 initiative to facilitate collaboration between MPM and other County cultural entities. In 2005, efficiencies were realized with some organizations negotiating shared professional service contracts and others offering joint programs and cross-promotion.